

Speech given in Washington DC at the Dimensions of Leadership Conference for the Leadership Development Academy of the Graduate School, USDA, November 25, 2002 by Greg Merten of Hewlett Packard.

I am delighted to be here with such a distinguished group of leaders in government service and to be part of this conference. This engagement resulted from a talk I gave at the annual meeting of the Society of Organizational Learning in Boston this last summer where I met Georgie Bishop, who has been instrumental in this invitation to address you. I have a lot of passion about the subject of leadership and Hewlett-Packard has a commitment to be of service in the communities we live. The United States is certainly one of those communities. So I have been looking forward to this opportunity to share some of my thoughts about my leadership experience with you.

I started at Hewlett-Packard over 30 years ago. My management career started even before that, in another company, so I have been in leadership positions for most of my work life and Hewlett-Packard has been a great company to work for with an unbroken string of quarterly profits that lasted over 60 years, until very recently -- a rare accomplishment.

As you are probably aware, Hewlett-Packard is now merging with Compaq. This is the largest high-tech merger ever and the majority of mergers seldom fulfill the expectations of the shareowners, much less one of this historic proportions. This is a huge bet. So why are in this situation where we have to merge with another company to deliver on customer and shareowner needs rather than grow from our own resources and success as we did for the first 60 years of our existence? **I believe it is an issue of leadership.** I believe we lost sight of what was actually the source of those 60 years of unprecedented performance and how to continually regenerate it. What happened? I believe that we did not develop leaders that had a relationship to learning that enabled them to lead the various businesses in a way that they stayed at the top of their markets. The world in which HP operated, changed faster than the company leadership changed. One evidence of that was the hiring of our CEO, Carly Fiorina, from outside the company. Another was the inconsistent performance of some segments of our business; resulting in poor market positions relative to key competitors, hence the need for a merger.

HP historically was very decentralized with about 80 independent divisions. The ideal job in HP was division general manager. They had lots of autonomy. Training at the top levels focused on business skills, not on the skills required to create a high performance team and we chose new GM's on the basis of business skills, not leadership attributes. This approach is evidenced by the fact that most GM's, who were not successful, failed because they could not lead their team effectively. This eventually gave rise to an "arrived at" culture at the top of the company that no longer required top managers to grow their leadership capacity at the pace the world was changing. Some businesses were in a time warp, using practices and approaches that worked for small independent businesses, but which were woefully inadequate for a collaborative, interconnected business world. So the world changed faster than we did, requiring massive changes to catch up, including the merger with Compaq, a change of huge proportions that we are

engaged with now.

I believe lack of performance, that is a lack of desired results, is fundamentally a leadership issue, and I believe the source of leadership is in learning, learning about ourselves, in relationship with others and the circumstances in which we operate so we can be ever more effective at producing those results. Stated another way, leadership is about how to create the most effective intersection among ourselves, other people, and our shared circumstance. If we learn to do this, we can look forward to our best days as still ahead of us, not behind us!!

It is widely recognized that the most effective leaders have both analytical and emotional intelligence, or “EQ” as it is designated in the literature. Emotional intelligence is concerned with character, a capacity to understand oneself, and a capacity to relate well with other people. The complexity of the world today requires decisions that cannot be based only on limited analytical analysis. It requires a relationship to self and to others to gain understanding beyond mere data. Peter Senge once told me that a mentor to him, a former CEO of Royal Dutch Shell, said that his greatest attribute, as CEO, was his vulnerability, especially in time of strategic shift. In these circumstances, he didn’t know the answer and was willing to admit it and to learn with others. Strategic vision emerges from a variety of people and sources and his vulnerability gave him access to those sources.

Conversely, Ford Motor Company recently replaced its CEO. Why? Because he was unable or unwilling to learn what was critical today in his circumstances. He already “knew” and was unable to collaborate with others effectively in a changing environment. What he “knew” was inadequate or outdated. As Mickey Connolly says in the book, *The Communications Catalyst*, the more dynamic the environment, the more we add value out of our rate of learning, not out of what we already know.

I’ll tell you a story about Dave Packard, one of the founders of HP, and emotional intelligence. It’s about what he called his “11 Simple Rules”, a set of rules to help him be more effective with other people. These surfaced from our archives a few years ago, unfortunately after Dave wrote his book. The story is that Dave recommended these Rules to his newly appointed division managers as a way to continue personal development at the end of the offsite when the company created its first divisions. This recommendation was a masterful stroke because he communicated to these new general managers that it was not only acceptable to keep learning about yourself inside your job, it was critical and even he as the head of the company, was very deliberate about being a “work in progress.” He was committed to growing his personal effectiveness with his business.

In HP, we call our operating culture the HP Way, which I have been a serious student of these last 10 years. Let me tell you a couple of stories. When I first studied the 11 Simple Rules and heard the story of how Dave recommended them to his new division managers, I had the experience of understanding what sourced the HP Way. It was Bill and Dave’s relationship and this attitude about emotional intelligence or personal effectiveness that

the 11 Simple Rules exemplified. The HP Way is the consequence of the commitment to growth and relationship of each of us as employees, not the source. We must continually recreate it.

The second story is illustrative of Bill and Dave's relationship. Walter Hewlett told a story at his father's funeral of one of his nephew's asking him many years ago if Bill and Dave ever fought. The answer was "no, never!" I once did a calculation of what size this company would be if it grew at a 20% lower rate because of Bill and Dave's lack of working relationship. It would have been about 12B\$, not 50B\$. If it grew at half the historical rate because of Dave and Bill relationship, it would be about 200 million, or roughly the size of Tektronix, which started about the same time. Bill and Dave had a relationship of acceptance of each other as human beings. It is what the Chilean biologist, Humberto Maturana, calls legitimacy. I accept you for who you are; now let's get to work and accomplish something together. Dave and Bill naturally extended this acceptance or legitimacy to the people they hired. It was unusual at the time. It gave rise to a practice that has been famous in the company called Managing By Walking Around or MBWA. Managers, including the CEO, would walk around talking to employees as equal human beings and learning from them what was actually going on in the company. An environment of strong relationships was created in HP and it is on the basis of relationships that value is generated. It is the story of human accomplishment.

My goal in sharing with you my own leadership story is that it will change your life, not because of anything particularly brilliant I say or even because I understand it all that well, but rather that something I say, coupled with your reflection, will change your perspective, which will change your behavior, which will change your life. I don't claim to know what you should do. I can only share with you my perspectives on my experiences. **Remember, we see the world, not as it is, but as we are, while thinking of ourselves as objective, independent observers. No such person exists. That paradox gives rise to many problems that can only be solved in relationship with other people.**

My story is inextricably connected with the story of inkjet, one of the most successful technology and business ventures in the history of HP. The technology itself is pretty amazing. Imagine watching a kettle of water on the stove come to a boil. If one is patient enough, a bubble finally appears and if one waits still longer, a rolling boil will ultimately occur. Imagine instead that you could put so much energy into the kettle in two microseconds that a single bubble formed instantly across the whole kettle surface and ejected the contents of the pan onto the ceiling! Now imagine that you could refill the kettle with more water and repeat the process 20,000 times in one second, and do it with 500 kettles! That is what we do with inkjet. I know, I don't believe it either! Of course, the geometries are much smaller than a kettle, which makes these speeds achievable. The drop volume is about 4 trillionths of a liter! It takes 29 of these drops to make a period at the end of a sentence. Such small drops are necessary to achieve the resolution and color performance to produce photographic output, which our printers do very well.

Many different technologies are involved in making a print cartridge and hundreds of thousands of engineering years of effort and billions of dollars have been expended to advance this technology to its present state. We make tens of millions of cartridges per month in 6 sites around the world.

Until very recently, I have been with inkjet since 1981 when it was a Research and Development project and I managed a thin film manufacturing area in which it would be produced. Our first product was introduced in 1984 and I had about 75 people in manufacturing. We sold about 3 million dollars worth of cartridges that first year and lost lots of money as we were still investing heavily in the business and future generations. We are now about 10,000 people in 6 sites around the world and our sales are more than 1000 times what we produced that first year, or several billion dollars annually. Obviously this has entailed a lot of change over that last 18 years. These changes occurred in all aspects of the business and in our people and in individual growth.

It is unusual for someone to “stay at the top” of an organization and business that is growing this fast where we were often doubling in less than two years. Frequently, in these circumstances, the business outgrows the person and other leadership is brought in. I credit my becoming one of the Vice Presidents of this multi-billion dollar business to being willing to begin personal development about 10 years ago in a way I had never before even understood, much less attempted.

Three events or circumstances jolted me out of the safety of avoidance of significant personal change. One was that my boss was going to retire in a year or two and I wanted his job, but he told me I was far from a shoo-in; the business was growing rapidly. Could I provide the necessary leadership? The person who replaced him needed to be able to provide leadership to create what the organization needed to become, not what it was at that time. I appreciated his candid assessment but I was also intimidated by what it meant.

The second event was the loss of our third son, Scott, in a teenage car crash in 1990. Scott, at 16, was more naturally contributing to others, than I was at 46 when he was killed, this in spite of my leading a very successful life by most measures. I’m an identical twin and it’s very difficult to establish one’s own identity in that environment. I entered adulthood with a legacy of self-images that were both inaccurate and did not serve me well. I think many of us are in this circumstance. I was too insecure to take the personal risk, to be vulnerable, to achieve the personal learning necessary to be the leader this business required at that time. The kind of person Scott was inspired me to establish different relationships with myself and with other people.

The third circumstance was that I could see that I was not anywhere close to smart enough, nor did I have enough time, to manage, as in control, an organization that would become 10,000 people with European, Asian, Latin American and U.S. cultures that had to work very closely together in a high-tech, high change environment to achieve the growth the business required. Sites like these often become destructively competitive, as

a matter of local survival, and we could not prosper in that kind of environment. I came to understand I could only be successful if I became much more of a leader and less of a manager. We lead out of who we are and I needed to become much more of what the organization needed. I needed to lead an organization as a system where the component parts act locally in an empowered way that is coherent with the larger organization's primary objectives. Having all decisions come back to the top in a large, distributed, changing environment would cripple our effectiveness.

In Warren Bennis' book, *On Becoming a Leader*, he characterized the difference between leadership and management by identifying leadership with vision, context setting, inspiration, communication, core values, whereas he identified management with execution, measurement and control. To be sure, there is a lot of overlap and both are necessary, but in a high change environment, effective leadership is required.

My favorite definition of leadership was written by Peter Senge.

Leadership is about creating a domain in which human beings continually deepen their understanding of reality and become more capable of participating in the unfolding of the world. Ultimately, leadership is about creating new realities.

Certainly that is the opportunity facing governments today as well as every other aspect of our society.

This definition implies discovery rather than adopting the arrogance of ordaining what is reality. While this is very clear in the physical world (we cannot make inkjet cartridges while violating the laws of Mother Nature), we often act as if we can decide what works in the social world, rather than discover and abide by the laws in that arena as well.

In a leadership course we teach in HP, we draw the distinction that, in a dynamic environment, the rate of learning is what creates value, not primarily what is already known. **Hence, my assertion that learning about circumstances, others and self is what is the source of leadership, or stated another way, our leadership is sourced by our relationship to learning. It is how we create new realities.**

I believe very strongly that leadership is not reserved for managers. Leadership, that is causing appropriate change, can be provided by any individual in an organization or society. In Corvallis, Oregon, where I live, a community volunteer, without any official position, experience, or academic training, became nationally recognized in Emergency Management, testifying before Congress, speaking nationally of her role as chair of the Benton County Emergency Management Council, and creating a proposal that eventually became Project Impact in the Clinton Administration among other things. Extraordinary leadership. I know the story because the person is my wife, Diane.

When the Inkjet business really started to grow in the early 90's and we were hiring lots of people, among other things, we offered a reflective leadership experience to everyone

in the organization. I introduced those courses and made an explicit connection between the things I was hoping they would learn about themselves and the results we would obtain as a business. It was money well spent.

Change I needed to make:

So how did I need to change?

I needed to quit competing with people; the kind of competition that arises out of insecurity or preservation. Dave's first Simple Rule was to think of the other person first, forming a basis of relationship upon which value could be created. I began creating much more effective relationships when I followed this rule, and discovered my personal concerns paradoxically disappeared!

I needed to learn how to collaborate more effectively, to find valuable intersection with people rather than force my limited point of view. Inquiry creates more value than advocacy because learning is occurring. Learning is the basis of a conversational cycle of value, while simply disagreeing and defending my position begins a cycle of waste.

I needed to become much more effective in listening because all things we accomplish involves listening. **A valuable conversation both enhances relationships and causes learning.**

I needed to learn how to build more powerful relationships, ones that would withstand the challenges of failure and problems and not breakdown when they were needed most. Value creation cannot be sustained in adversariality.

Another story: 1995 was the first year we produced one product at all three sites. Including wafer fabrication, the process contains about 200 steps. We produced the silicon chip in our Singapore site and assembled the chips into cartridges at all three sites, Singapore, Puerto Rico, and Ireland. We developed a serious yield problem that was generating a lot of scrap. It was an urgent critical situation. There were misleading indicators as to the cause of the problem, which caused assertions and accusations, which wasted time and damaged relationships. We solved the problem, but it took too long and we rendered the organization less capable of solving the next problem in the minimum time, because the relationships were weaker. While I was disappointed that we did not solve the problem sooner, because of damaged relationships, I was really worried about our ability to solve the next problem, which would likely be even more critical as we were growing so fast. Hence my assertion that valuable conversation causes learning and enhances relationships. Because of this experience, we started training in conversational competence in a serious way so we could reduce our time-to-resolution all across the organization.

I needed to learn how to create an environment where people would take on risk to accomplish the seemingly impossible and I needed to help them believe in themselves

more fully so they would take on such risk.

I needed to take more risk personally to contribute to the organization and to others. The essence of leadership arises from within, from who we are at our core. That essence gives rise to behaviors, which in turn, give rise to practices. In short, I needed to become the change I wanted to see in the organization, to paraphrase Gandhi.

I believe the most fundamental realization I have made is that if I want things to change “out there”, I have to change “in here”. We can change no one but ourselves, and in so doing, cause changes “out there” way beyond what we would predict. As Adam Kahane expressed: Our ability to change the world is commensurate with our level of personal development.

So how am I going about it?

I attended a seminar on leadership shortly after our son’s death that was unusual and that gave me insight on how my self-image was not serving me well. I thought a lot less of myself than others thought of me. Do any of you perhaps struggle with that? The evidence is in all the ways we create safety for ourselves by separating from other people, thus avoiding personal risk.. In that seminar and in a repeat one that involved the management team, I was confronted with my lack of calibration in a pretty unavoidable way. It became very clear that I needed to readjust my self-image and, out of that, contribute much more effectively. I had a lot of talent and opportunity to contribute I was not fulfilling.

I became part of a “developmental community” which consisted of myself and primarily my staff, meeting one day every month or so with two coaches to take on personal growth and team effectiveness and leadership. We used the issues in the organization as “grist for the mill” and figured out how we could have more effective impact across the entire organization than we were having. This was a great learning experience.

I started reading a lot more. I’ve read close to 100 books or so (I travel frequently) in the past several years on all kinds of subjects from philosophy, biography, culture, business, economics, religion, history, etc. Each book has contributed to my life and to my job. I suggest to my organization and to you that if you are not reading broadly, especially outside your discipline, you are likely to be a stale thinker, and your creativity is greatly limited.

Finally, I spend much more time learning from my experiences. I reflect on most conversations I have to learn what went well and what didn’t and how I could speak differently the next time. I look for both things I might have said and didn’t, and for ways I could have said something more effectively. I have NEVER failed to learn something from these reflections. I’m often able to observe myself even while having the conversation. Warren Bennis wrote the book, *On Becoming a Leader*, as a result of research he did to discover if there was a common trait among leaders. He shadowed leaders in several arenas and discovered what was common was a willingness to reflect

and, thereby, to learn from their experiences. Don't we all? No, some of us very little. Witness Archie Bunker, the quintessential non-reflective person. He already knew everything so he had no need to reflect! The more we reflect, the more we act in circumstances rather than react. When teenagers or a spouse get surprised by your response to a situation in which they "know" how you will react, it is the result of your being reflective, of your learning something in that reflection, and of your choosing to behave differently the next time. That is how we grow. As, Humberto Maturana, says that is the biological way of learning, that is, we learn capability only through experience that we recognize or become aware of through reflection.

So what am I learning?

I am learning that we get trapped and frustrated by our expectations. It is far better to build on the partnerships of mutual commitment than the adversarial relationships that arise from casting our expectations on others. Expectations require judgments we are incapable of making because our ability to perceive accurately is so limited. I suggest that a conversation that engages others in the opportunity and that leads to commitment on their part captures their heart rather than just their head. This is because we honor their agency or choice in the matter, or, stated another way: if we cannot say "no", then we cannot wholeheartedly say "yes". I believe moving to commitment from expectation in human relations is a huge opportunity in most organizations that would unleash enormous pent up potential. We could spend 2 hours just on this distinction alone.

I am learning to grant the same good intentions I reserve for myself, even in the face of "evidence" to the contrary, or as Lao Tsu said, "In speech, it is good faith that matters." That trust requires me to check out the "evidence" and to reestablish relationship. It is the trust in someone else that determines the level of faith or risk we are willing to engage with that person in pursuit of some goal. Without it, we do not even get started.

I am learning that most people want to and will do a good job. So create an environment in which they can!

I am learning that forgiveness, that is letting go, is essential to personal and organizational health and effectiveness. **If we don't forgive, we become tied to the past in a way that prevents us from being coherent with the present, which greatly limits our future.** The friendship we offered to our son's friend who was recklessly driving the car when our son was killed had a great impact on him, on our family, and in our community.

I am learning that while leaders do not "do it all", they are critical to the success of an organization. An organization seldom exceeds the vision and the commitments of its leader. A wise man once said: Where there is no vision, the people perish! I can never escape the "mantle" of my position. I'm always on stage and opportunity is always in front of me. We often miss those opportunities to make a difference out of fear or lack of awareness of our opportunity to influence. I can always make a difference, yet it's not

about me.

I am learning that my perspective of the world and of myself is not only my primary leadership asset but also my primary limiter, so I need to keep expanding and truing my perspective. I have discovered I make a home out of my perceptions and grant it the reality of stone, when it is more like a house of cards! I encourage us all to read and learn in other ways to enliven our thoughts, and to reflect so we can see ourselves, others and world through new eyes.

I am learning that organizations will lose effectiveness if they do not stay in touch and serve their constituency. If I am not willing to change, to take risk about who I am in the matter, I can't expect my organization to take on change and personal growth. It starts with me.

I am learning that reviewing results as a team, what I call *public* performance measurement (because we can fool our boss but not our peers), is critical to success and the measurement must reflect the objectives of the organization. Bill Hewlett said, "tell me how you're are going to observe me, and I'll tell you how I'll behave."

I am learning that time-to-create value, like time-to-market, is fundamentally a function of our competence in conversation with others, that conversations for possibility are far more effective than conversations for no possibility, that building on mutuality creates more value than focusing on differences and that listening is more powerful than speaking.

I am learning that people don't resist change; they resist being unilaterally put at risk. Helping people move through their perceived risk is far more effective than accusing them of being non-supportive of required change.

I am learning that I see issues with others easier than I see them in myself, especially if I don't reflect. I need people I can partner with and learn from about myself. Many people have contributed to me over these past 12 years, helping me see the world and myself more accurately.

I am learning that there is no common brain in a group, so if we want to optimize or integrate across a system, we must accurately understand the other perspectives and conditions, and we must be in productive relationship with others, or we won't get their perspectives and we won't optimize the system.

I am learning that my belief in the capacity of my people makes a huge difference in their willingness to take on personal risk in pursuit of extraordinary accomplishment and that my willingness to stand in the tension of setting aggressive goals creates an environment where the extraordinary is accomplished.

I am learning that I must act with integrity, that I must set the example of the kinds of behavior I would like in the organization. Dishonesty, in all its forms, saps the strength

of any organization or system because it kills trust and destroys risk taking.

I am learning that to contribute to someone rather than to be seen as a criticizer, I must suspend judgment, because to contribute to another, I must also be willing to learn.

I can demonstrate that we have brought literally hundreds of millions of incremental dollars to the bottom line through creating effective relationships, increasing our ability to create value through conversation, executing at the system versus the silo level, and empowering people while measuring our performance in a *public* conversation. This has been a 10-year undertaking.

These past years have been a thrilling and very rewarding experience. My career and what I have contributed to far exceeded my anticipations and it keeps expanding. I left a much higher level job in the San Francisco Bay area so our family could move back to Oregon, and I took on managing a much smaller manufacturing area than what I had in California, but it was in the area in which this inkjet product would get manufactured, if it were successful. So, I was fortunate to hook up with a winner, but I also was willing to take risk and to change personally so I could keep pace with the growth of the business. It has been a rare, incredible experience for which I am very grateful. I am now embarking on another career to apply what I have learned more broadly in HP to help the merger with Compaq be successful.

Finally, I am learning, and believe very profoundly, that life is about growth and change. Stasis is an illusory and ultimately disappointing hope. If we are to lead the changes required in our future, first take on changing ourselves. We must commit!

A favorite quote of mine is from W.H. Murray of the Scottish Himalayan Expedition...

...until one is committed there is always hesitancy, the chance to draw back, always ineffectiveness. Concerning all acts of initiative and creation there is one elementary truth the ignorance of which kills countless ideas and splendid plans.

The moment one commits oneself, then providence moves too.

Multitudes of things occur to help that which otherwise could never be. A stream of events issues from the decision, raising to one's favor all manner of unforeseen accidents, meetings and material assistance, which no one could have dreamed would come his way. I learned deep respect for one of Goethe's couplets:
"Whatever you can do or dream you can, begin it. Boldness has genius, power and magic in it."

Another quote from Mary Ann Williamson used by Nelson Mandela in his inaugural speech:

It is called Deepest Fear:

Our deepest fear is not that we are inadequate; our deepest fear is that we are powerful beyond measure. It is our light, not our darkness, that most frightens us.

We ask ourselves, who am I to be brilliant, gorgeous, talented and fabulous? Actually, who are you not to be? You are a child of God. Your playing small doesn't serve the world. There's nothing enlightened about shrinking so that other people won't feel insecure around you.

We are born to make manifest the glory of God that is within us. It's not just in some of us; it's in everyone. And as we let our own light shine, we unconsciously give others permission to do the same. As we are liberated from our own fear, our presence automatically liberates others.

I have lived both of these quotes. When I changed roles earlier this year, I visited each of the sites. I have been working with some of these people close to 15 years. It was a great experience, kind of a checkpoint and in many ways a validation of this leadership journey I committed to. The level of appreciation and love that was shared was very moving, best expressed with the following words on a gift from the folks in Puerto Rico:

Greg, thanks for caring more than others thought was wise, for risking more than others thought was safe, for dreaming more than others thought was practical, and for expecting more than others thought was possible.

I share this in humility and in the appreciation I feel for having had this opportunity to create such great relationships, and on the basis of those relationships, be part of extraordinary accomplishment.

And remember, we see the world, not as it is, but as we are.

Thank you!